

**TOWN OF WESTFORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2008**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Westford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Westford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
May 7, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Westford, we offer readers this narrative overview and analysis of the financial activities of the Town of Westford for the fiscal year ended June 30, 2008.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activity includes water and ambulance operations.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and ambulance operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and ambulance operations, which are both considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 238,963,864 (i.e., net assets), a change of \$ 2,698,242 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,227,097, change of \$ (5,686,387) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 5,238,222, a change of \$ (655,800) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 87,408,297, a change of \$ (9,729,609) in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 43,338	\$ 47,425	\$ 2,466	\$ 3,107	\$ 45,804	\$ 50,532
Capital assets	<u>246,203</u>	<u>248,085</u>	<u>41,911</u>	<u>40,660</u>	<u>288,114</u>	<u>288,745</u>
Total assets	289,541	295,510	44,377	43,767	333,918	339,277
Long-term liabilities outstanding	71,127	79,929	10,514	11,269	81,641	91,198
Other liabilities	<u>11,522</u>	<u>10,931</u>	<u>1,791</u>	<u>883</u>	<u>13,313</u>	<u>11,814</u>
Total liabilities	82,649	90,860	12,305	12,152	94,954	103,012
Net assets:						
Invested in capital assets, net	17,765	164,247	30,952	28,920	48,717	193,167
Restricted	156,028	3,063	-	-	156,028	3,063
Unrestricted	<u>33,099</u>	<u>37,340</u>	<u>1,120</u>	<u>2,695</u>	<u>34,219</u>	<u>40,035</u>
Total net assets	\$ <u>206,892</u>	\$ <u>204,650</u>	\$ <u>32,072</u>	\$ <u>31,615</u>	\$ <u>238,964</u>	\$ <u>236,265</u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,234	\$ 5,922	\$ 3,065	\$ 2,828	\$ 9,299	\$ 8,750
Operating grants and contributions	26,233	24,711	-	-	26,233	24,711
Capital grants and contributions	1,410	339	-	-	1,410	339
General revenues:						
Property taxes	53,192	51,024	-	-	53,192	51,024
Excises	2,928	2,790	-	-	2,928	2,790
Penalties and interest on taxes	504	467	-	-	504	467
Grants and contributions not restricted to specific programs	3,416	26,075	122	113	3,538	26,188
Investment income	1,298	1,263	93	133	1,391	1,396
Other	<u>176</u>	<u>73</u>	<u>273</u>	<u>179</u>	<u>449</u>	<u>252</u>
Total revenues	95,391	112,664	3,553	3,253	98,944	115,917
Expenses:						
General government	4,688	4,062	-	-	4,688	4,062
Public safety	7,373	6,871	-	-	7,373	6,871
Education	55,952	52,898	-	-	55,952	52,898
Public works	8,014	6,953	-	-	8,014	6,953
Health and human services	1,547	1,221	-	-	1,547	1,221
Culture and recreation	2,781	2,227	-	-	2,781	2,227
Employee benefits	8,661	7,655	-	-	8,661	7,655
Interest on long-term debt	3,493	3,947	-	-	3,493	3,947
Intergovernmental	349	332	-	-	349	332
Miscellaneous	34	6	-	-	34	6
Water operations	-	-	2,501	2,300	2,501	2,300
Ambulance operations	-	-	874	810	874	810
Total expenses	<u>92,892</u>	<u>86,172</u>	<u>3,375</u>	<u>3,110</u>	<u>96,267</u>	<u>89,282</u>
Change in net assets before contributions and transfers	2,499	26,492	178	143	2,677	26,635
Permanent fund contributions	22	7	-	-	22	7
Transfers in (out)	( 279)	( 392)	279	392	-	-
Increase in net assets	2,242	26,107	457	535	2,699	26,642
Net assets - beginning of year (as restated)	<u>204,650</u>	<u>178,543</u>	<u>31,615</u>	<u>31,080</u>	<u>236,265</u>	<u>209,623</u>
Net assets - end of year	\$ <u>206,892</u>	\$ <u>204,650</u>	\$ <u>32,072</u>	\$ <u>31,615</u>	\$ <u>238,964</u>	\$ <u>236,265</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 238,963,864, a change of \$ 2,698,242 from the prior year.



The largest portion of net assets \$ 201,716,141 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding.

These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 3,028,488 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 34,219,235 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 2,241,727. Key elements of this change are as follows:

	<u>Government Wide Governmental Activities</u>
General fund operating results, as discussed further in section D	\$ (5,100,291)
Community Preservation surplus - accrual basis	1,862,609
Nonmajor funds surplus - accrual basis	1,666,637
Excess principal maturities, a budgeted expense over depreciation which is not budgeted or funded	1,954,819
Other GAAP accruals	<u>1,857,953</u>
Total	<u>\$ 2,241,727</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 456,515. Key elements of this change are as follows:

Water enterprise	\$ 367,645
Ambulance enterprise	<u>88,870</u>
Total	<u>\$ 456,515</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,227,097, a change of \$ (5,686,387) in comparison with the prior year. Most of this change was attributable to the following:

	<u>Fund Balance</u> <u>Governmental Funds</u>
General fund operating results	\$ (5,100,291)
Community Preservation deficit	( 137,391)
Nonmajor funds deficit	( 448,705)
Total	\$ <u>(5,686,387)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 5,238,222, while total fund balance was \$ 26,021,087. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the general fund changed by \$ (5,100,291) during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance</u> <u>General Fund</u>
Excess revenues over budget	\$ 574,690
Budgetary appropriation turnbacks by departments	1,793,767
Shortfall tax collections over budget	( 320,036)
Excess of prior year encumbrances, net of current year encumbrances	( 796,133)
Use of free cash	(3,708,359)
Use of designated fund balance	(3,364,063)
Raising of prior year snow and ice deficit	146,956
Raising of other prior year deficits	<u>572,887</u>
Total	\$ <u>(5,100,291)</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 1,120,310. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended budget resulted in an increase in general government appropriations of \$ 460,000 over the original budget. This was funded by a change in the use of free cash of \$ 460,000.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 288,114,444 (net of accumulated depreciation), a change of \$ (630,753) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Purchase of land	\$ 3,000,245
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**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 87,408,297, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Finance Director  
Town of Westford, Massachusetts  
55 Main Street  
Westford, Massachusetts 01886

## TOWN OF WESTFORD, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 14,145,226	\$ 1,712,647	\$ 15,857,873
Restricted investments	18,418,059	-	18,418,059
Investments	9,447,838	-	9,447,838
Receivables, net of allowance for uncollectibles:			
Property taxes	383,845	-	383,845
Excises	225,600	-	225,600
Departmental and other	1,896	-	1,896
Intergovernmental	181,876	-	181,876
User fees	-	753,129	753,129
Other assets	25,000	-	25,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	233,281	-	233,281
Other assets	275,000	-	275,000
Capital assets			
Land and construction in progress	43,779,275	2,185,643	45,964,918
Other capital assets, net of accumulated depreciation	<u>202,424,134</u>	<u>39,725,392</u>	<u>242,149,526</u>
<b>TOTAL ASSETS</b>	<b>289,541,030</b>	<b>44,376,811</b>	<b>333,917,841</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,641,571	91,177	1,732,748
Accrued liabilities	532,334	66,862	599,196
Notes payable	385,000	954,000	1,339,000
Tax refunds payable	1,090,000	-	1,090,000
Other current liabilities	990,104	70,945	1,061,049
Current portion of long-term liabilities:			
Bonds payable	6,774,060	600,279	7,374,339
Compensated absence	62,076	8,124	70,200
Bond premium	48,108	-	48,108
Noncurrent:			
Bonds payable, net of current portion	69,674,565	10,359,393	80,033,958
Compensated absence, net of current portion	1,179,445	154,358	1,333,803
Bond premium, net of current portion	<u>271,576</u>	<u>-</u>	<u>271,576</u>
<b>TOTAL LIABILITIES</b>	<b>82,648,839</b>	<b>12,305,138</b>	<b>94,953,977</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	170,764,778	30,951,363	201,716,141
Restricted for:			
State and federal grants	2,342,473	-	2,342,473
Permanent funds:			
Nonexpendable	436,001	-	436,001
Expendable	250,014	-	250,014
Unrestricted	<u>33,098,925</u>	<u>1,120,310</u>	<u>34,219,235</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>206,892,191</u></b>	<b>\$ <u>32,071,673</u></b>	<b>\$ <u>238,963,864</u></b>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,687,552	\$ 641,983	\$ 1,201,322	\$ -	\$ (2,844,247)	\$ -	\$ (2,844,247)
Public safety	7,373,060	1,010,471	251,056	-	(6,111,533)	-	(6,111,533)
Education	55,951,539	3,839,109	24,149,939	-	(27,962,491)	-	(27,962,491)
Public works	8,014,334	6,826	2,973	1,410,279	(6,594,256)	-	(6,594,256)
Health and human services	1,546,746	193,131	623,434	-	(730,181)	-	(730,181)
Culture and recreation	2,781,368	542,706	4,000	-	(2,234,662)	-	(2,234,662)
Employee benefits	8,660,667	-	-	-	(8,660,667)	-	(8,660,667)
Interest	3,493,497	-	-	-	(3,493,497)	-	(3,493,497)
Intergovernmental	348,768	-	-	-	(348,768)	-	(348,768)
Miscellaneous	34,217	-	-	-	(34,217)	-	(34,217)
Total Governmental Activities	92,891,748	6,234,226	26,232,724	1,410,279	(59,014,519)	-	(59,014,519)
<b>Business-Type Activities:</b>							
Water services	2,500,532	2,527,314	-	-	-	26,782	26,782
Ambulance	874,318	537,318	-	-	-	(337,000)	(337,000)
Total Business-Type Activities	3,374,850	3,064,632	-	-	-	(310,218)	(310,218)
Total	\$ 96,266,598	\$ 9,298,858	\$ 26,232,724	\$ 1,410,279	(59,014,519)	(310,218)	(59,324,737)
<b>General Revenues, Contributions, and Transfers:</b>							
Property taxes					53,191,687	-	53,191,687
Excises					2,928,211	-	2,928,211
Penalties, interest and other taxes					503,802	-	503,802
Grants and contributions not restricted to specific programs					3,415,703	121,505	3,537,208
Investment income					1,297,803	93,049	1,390,852
Miscellaneous					175,910	273,349	449,259
Permanent fund contributions					21,960	-	21,960
Transfers (net)					(278,830)	278,830	-
Total general revenues, contributions, and transfers					61,256,246	766,733	62,022,979
Change in Net Assets					2,241,727	456,515	2,698,242
<b>Net Assets:</b>							
Beginning of year, as restated					204,650,464	31,615,158	236,265,622
End of year					\$ 206,892,191	\$ 32,071,673	\$ 238,963,864

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 10,527,035	\$ -	\$ 3,618,191	\$ 14,145,226
Restricted investments	18,418,059	-	-	18,418,059
Investments	396,680	4,560,169	4,490,989	9,447,838
Receivables:				
Property taxes	686,853	-	-	686,853
Excises	263,632	-	-	263,632
Departmental and other	-	11,198	-	11,198
Intergovernmental	-	-	181,877	181,877
<b>TOTAL ASSETS</b>	<b>\$ 30,292,259</b>	<b>\$ 4,571,367</b>	<b>\$ 8,291,057</b>	<b>\$ 43,154,683</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Warrants payable	\$ 1,381,355	\$ -	\$ 260,216	\$ 1,641,571
Deferred revenues	809,713	11,198	-	820,911
Tax refunds payable	1,090,000	-	-	1,090,000
Notes payable	-	-	385,000	385,000
Other liabilities	990,104	-	-	990,104
<b>TOTAL LIABILITIES</b>	<b>4,271,172</b>	<b>11,198</b>	<b>645,216</b>	<b>4,927,586</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances and continuing appropriations	2,364,806	-	-	2,364,806
Perpetual (nonexpendable) permanent funds	-	-	436,001	436,001
Debt service	18,418,059	-	-	18,418,059
Unreserved:				
Undesignated, reported in:				
General fund	5,238,222	-	-	5,238,222
Special revenue funds	-	4,560,169	5,998,457	10,558,626
Capital project funds	-	-	961,369	961,369
Permanent funds	-	-	250,014	250,014
<b>TOTAL FUND BALANCES</b>	<b>26,021,087</b>	<b>4,560,169</b>	<b>7,645,841</b>	<b>38,227,097</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,292,259</b>	<b>\$ 4,571,367</b>	<b>\$ 8,291,057</b>	<b>\$ 43,154,683</b>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2008

<b>Total governmental fund balances</b>	<b>\$ 38,227,097</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	246,203,409
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	703,849
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(532,334)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(77,709,830)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 206,892,191</u></b>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 51,561,035	\$ 1,220,210	\$ -	\$ 52,781,245
Excises	2,928,735	-	-	2,928,735
Penalties, interest and other taxes	511,098	-	-	511,098
Charges for services	-	-	4,723,188	4,723,188
Intergovernmental:	25,879,107	1,190,322	3,768,918	30,838,347
Licenses and permits	1,337,465	-	-	1,337,465
Fines and forfeitures	22,945	-	-	22,945
Investment income	622,862	392,164	282,778	1,297,804
Miscellaneous	501,029	10,000	67,839	578,868
Total Revenues	<u>83,364,276</u>	<u>2,812,696</u>	<u>8,842,723</u>	<u>95,019,695</u>
<b>Expenditures:</b>				
Current:				
General government	4,198,155	2,154,592	188,774	6,541,521
Public safety	6,963,915	-	79,480	7,043,395
Education	48,120,688	-	5,746,851	53,867,539
Public works	5,180,006	-	1,563,975	6,743,981
Health and human services	809,785	-	718,291	1,528,076
Culture and recreation	1,978,164	-	639,305	2,617,469
Employee benefits	8,660,667	-	-	8,660,667
Miscellaneous	-	-	34,217	34,217
Debt service	12,246,124	795,495	-	13,041,619
Intergovernmental	348,768	-	-	348,768
Total Expenditures	<u>88,506,272</u>	<u>2,950,087</u>	<u>8,970,893</u>	<u>100,427,252</u>
Excess (deficiency) of revenues over expenditures	(5,141,996)	(137,391)	(128,170)	(5,407,557)
<b>Other Financing Sources (Uses):</b>				
Transfers in	459,556	-	100,000	559,556
Transfers out	(417,851)	-	(420,535)	(838,386)
Total Other Financing Sources (Uses)	<u>41,705</u>	<u>-</u>	<u>(320,535)</u>	<u>(278,830)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,100,291)	(137,391)	(448,705)	(5,686,387)
Fund Equity, at Beginning of Year	31,121,378	4,697,560	8,094,546	43,913,484
Fund Equity, at End of Year	<u>\$ 26,021,087</u>	<u>\$ 4,560,169</u>	<u>\$ 7,645,841</u>	<u>\$ 38,227,097</u>

See notes to financial statements.



TOWN OF WESTFORD, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**      \$ (5,686,387)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases	5,412,245
Depreciation	(7,294,241)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 392,609

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of capital lease	160,183
Repayments of debt	9,249,060
Amortization of bond premium	53,988

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 84,891

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (130,621)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**      \$ 2,241,727

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
	Budget	Budget		Positive
				(Negative)
<b>Revenues and Other Sources:</b>				
Taxes	\$ 51,881,071	\$ 51,881,071	\$ 51,881,071	\$ -
Excise	2,725,000	2,725,000	2,928,735	203,735
Penalties, interest and other taxes	446,000	446,000	511,098	65,098
Intergovernmental:	20,315,630	20,315,630	20,241,063	(74,567)
Licenses and permits	1,055,000	1,055,000	1,337,465	282,465
Fines and forfeits	28,000	28,000	22,945	(5,055)
Investment income	750,000	750,000	622,862	(127,138)
Miscellaneous	409,898	409,898	501,029	91,131
Transfers in	320,535	320,535	459,556	139,021
Use of free cash	3,248,359	3,708,359	3,708,359	-
Use of designated fund balance	3,364,063	3,364,063	3,364,063	-
Total Revenues and Other Sources	84,543,556	85,003,556	85,578,246	574,690
<b>Expenditures and Other Uses:</b>				
General government	4,250,530	4,710,530	4,358,824	351,706
Public safety	7,075,329	7,075,329	6,723,265	352,064
Education	42,304,114	42,304,114	41,754,778	549,336
Public works	4,584,757	4,584,757	5,174,150	(589,393)
Health and human services	855,292	855,292	807,910	47,382
Culture and recreation	2,074,206	2,074,206	2,027,997	46,209
Debt service	12,564,790	12,564,790	12,246,124	318,666
Intergovernmental	362,942	362,942	348,768	14,174
Employee benefits	9,369,290	9,369,290	8,665,667	703,623
Transfers out	417,851	417,851	417,851	-
Other uses-oil spill deficit	537,499	537,499	537,499	-
Other uses-snow and ice deficit	146,956	146,956	146,956	-
Total Expenditures and Other Uses	84,543,556	85,003,556	83,209,789	1,793,767
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,368,457	\$ 2,368,457

See notes to financial statements.

## TOWN OF WESTFORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities Enterprise Fund		
	<u>Water Fund</u>	<u>Ambulance Fund</u>	<u>Total Fund</u>
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 1,531,310	\$ 181,337	\$ 1,712,647
User fees, net of allowance for uncollectibles	<u>573,148</u>	<u>179,981</u>	<u>753,129</u>
Total current assets	2,104,458	361,318	2,465,776
Noncurrent:			
Capital Assets			
Land and construction in progress	2,185,643	-	2,185,643
Other capital assets, net of accumulated depreciation	<u>39,430,559</u>	<u>294,833</u>	<u>39,725,392</u>
Total noncurrent assets	<u>41,616,202</u>	<u>294,833</u>	<u>41,911,035</u>
<b>TOTAL ASSETS</b>	43,720,660	656,151	44,376,811
<b><u>LIABILITIES</u></b>			
Current:			
Warrants payable	71,049	20,128	91,177
Accrued liabilities	66,862	-	66,862
Notes payable	954,000	-	954,000
Other liabilities	70,945	-	70,945
Current portion of long-term liabilities:			
Bonds payable	600,279	-	600,279
Compensated absences	<u>5,806</u>	<u>2,318</u>	<u>8,124</u>
Total current liabilities	1,768,941	22,446	1,791,387
Noncurrent:			
Bonds payable, net of current portion	10,359,393	-	10,359,393
Compensated absences	<u>110,317</u>	<u>44,041</u>	<u>154,358</u>
Total noncurrent liabilities	<u>10,469,710</u>	<u>44,041</u>	<u>10,513,751</u>
<b>TOTAL LIABILITIES</b>	12,238,651	66,487	12,305,138
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	30,656,530	294,833	30,951,363
Unrestricted	<u>825,479</u>	<u>294,831</u>	<u>1,120,310</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 31,482,009</u>	<u>\$ 589,664</u>	<u>\$ 32,071,673</u>

See notes to financial statements.

## TOWN OF WESTFORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Fund		
	Water Fund	Ambulance Fund	Total Fund
<b>Operating Revenues:</b>			
Charges for services	\$ 2,527,314	\$ 537,318	\$ 3,064,632
Other	<u>271,830</u>	<u>1,519</u>	<u>273,349</u>
Total Operating Revenues	2,799,144	538,837	3,337,981
<b>Operating Expenses:</b>			
Operating expenses	1,775,584	860,630	2,636,214
Depreciation	540,685	10,403	551,088
Employee benefits	<u>1,478</u>	<u>3,285</u>	<u>4,763</u>
Total Operating Expenses	<u>2,317,747</u>	<u>874,318</u>	<u>3,192,065</u>
Operating Income (Loss)	481,397	(335,481)	145,916
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	121,505	-	121,505
Investment income	86,549	6,500	93,049
Interest expense	<u>(182,785)</u>	<u>-</u>	<u>(182,785)</u>
Total Nonoperating Revenues (Expenses), Net	<u>25,269</u>	<u>6,500</u>	<u>31,769</u>
Net Income or Loss Before Transfers	506,666	(328,981)	177,685
Transfers In	-	417,851	417,851
Transfers Out	<u>(139,021)</u>	<u>-</u>	<u>(139,021)</u>
Net Income	367,645	88,870	456,515
Net Assets at Beginning of Year, as restated	<u>31,114,364</u>	<u>500,794</u>	<u>31,615,158</u>
Net Assets at End of Year	<u>\$ 31,482,009</u>	<u>\$ 589,664</u>	<u>\$ 32,071,673</u>

See notes to financial statements.

## TOWN OF WESTFORD, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds		
	Water Fund	Ambulance Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 2,846,212	\$ 475,969	\$ 3,322,181
Payments to vendors and employees	(1,810,109)	(851,102)	(2,661,211)
Net Cash Provided By (Used For) Operating Activities	1,036,103	(375,133)	660,970
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition, construction, and disposition of capital assets	(1,570,783)	(231,548)	(1,802,331)
Principal payments on bonds and notes	(780,549)	-	(780,549)
Bond anticipation note proceeds	954,000	-	954,000
Interest expense	(182,785)	-	(182,785)
Intergovernmental revenue	121,505	-	121,505
Net Cash (Used For) Capital and Related Financing Activities	(1,458,612)	(231,548)	(1,690,160)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers in	-	417,851	417,851
Transfers out	(139,021)	-	(139,021)
Net Cash Provided By Noncapital Financing Activities	(139,021)	417,851	278,830
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	86,549	6,500	93,049
Net Cash Provided By Investing Activities	86,549	6,500	93,049
Net Change in Cash and Short-Term Investments	(474,981)	(182,330)	(657,311)
Cash and Short-Term Investments, Beginning of Year	2,006,291	363,667	2,369,958
Cash and Short-Term Investments, End of Year	\$ 1,531,310	\$ 181,337	\$ 1,712,647
<b><u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ 481,397	\$ (335,481)	\$ 145,916
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	540,685	10,403	551,088
Changes in assets and liabilities:			
Receivables	47,068	(62,868)	(15,800)
Warrants payable	17,317	9,527	26,844
Other liabilities	(45,746)	-	(45,746)
Compensated absences	1,478	3,286	4,764
Accrued liabilities	(6,096)	-	(6,096)
Net Cash Provided By (Used For) Operating Activities	\$ 1,036,103	\$ (375,133)	\$ 660,970

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Agency Funds
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 1,282,766
Total Assets	1,282,766
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Warrants payable	49,666
Escrow deposits	1,233,100
Total Liabilities	1,282,766
<b><u>NET ASSETS</u></b>	
Total net assets held in trust	\$ -

See notes to financial statements.

# TOWN OF WESTFORD, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Westford (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2008, it was determined that no entities met the required GASB-39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:



- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Community Preservation Act (CPA) Fund*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Water operations
- Ambulance operations

The private-purpose trust fund is used to account for trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements

under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2008 tax levy reflected an excess capacity of \$ 26,590.

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase

of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

*H. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*J. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*K. Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 83,364,276	\$ 88,506,272
Other financing sources/uses (GAAP basis)	<u>459,556</u>	<u>417,851</u>
Subtotal (GAAP Basis)	83,823,832	88,924,123
Adjust tax revenue to accrual basis	320,036	-
To reverse expenditures of prior year appropriation carryforwards	-	( 3,160,939)
To book current year appropria- tion carryforwards	-	2,364,806
To record raising of prior years' snow and ice deficits	-	146,956
To record raising of other prior year deficits	-	572,887
To record use of free cash	3,708,359	-
To record use of designated fund balance (debt service)	3,364,063	-
To reverse the effect of non- budgeted State contributions for teachers retirement	( <u>5,638,044</u> )	( <u>5,638,044</u> )
Budgetary basis	\$ <u>85,578,246</u>	\$ <u>83,209,789</u>

*D. Excess of Expenditures Over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice deficit	\$ <u>(649,722)</u>
----------------------	---------------------

### E. Deficit Fund Equity

The Town's special revenue and capital project funds reflect the following deficit fund balance accounts:

SPED Program Improvement	\$ ( 6,910)
Safe and Drug Free Schools	( 529)
Tobacco Control Grant	( 9,510)
Highway A&E	(125,715)
Total	\$ (142,664)

These deficits will be funded by future receipts, bond issuances, and transfers from other funds.

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk

As of June 30, 2008, \$ 14,479,297 of the Town's bank balance of \$ 20,408,288 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

### **4. Investments**

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts general law, chapter 44, section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u> <u>Aaa</u>
U.S. Treasury notes	\$ 19,517	N/A	\$ 19,517	\$ -
Certificates of deposits	582	N/A	582	-
Corporate bonds	600	N/A	-	600
Corporate equities	182	N/A	182	-
Mutual funds	47	N/A	47	-
Federal agency securities	<u>6,937</u>	N/A	<u>-</u>	<u>6,937</u>
Total investments	\$ <u>27,865</u>		\$ <u>20,328</u>	\$ <u>7,537</u>

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town does not have any exposure to custodial credit risk.

**C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Related Securities:					
U.S. Treasury notes	\$ 19,517	\$ 1,389	\$ 4,557	\$ 6,044	\$ 7,527
Certificates of deposit	582	95	487	-	-
Corporate bonds	600	-	479	121	-
Federal agency securities	<u>6,937</u>	<u>101</u>	<u>4,644</u>	<u>1,234</u>	<u>958</u>
Total	\$ <u>27,636</u>	\$ <u>1,585</u>	\$ <u>10,167</u>	\$ <u>7,399</u>	\$ <u>8,485</u>

#### E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have foreign currency risk. The Town does not have policies for foreign currency risk.

### **5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2008 consist of the following (in thousands):

Real Estate		
2008	\$ 438	
2007	( 20)	
		\$ 418
Personal Property		
2008	<u>10</u>	
		10
Tax Liens		<u>259</u>
Total		\$ <u>687</u>

### **6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 70,924	\$ -
Excises	38,032	-
Utilities	-	25,000
Other	8,105	8,435



## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 142,738	\$ 1,027	\$ -	\$ 143,765
Machinery, equipment, and furnishings	10,915	969	-	11,884
Infrastructure	<u>114,597</u>	<u>1,292</u>	<u>-</u>	<u>115,889</u>
Total capital assets, being depreciated	268,250	3,288	-	271,538
Less accumulated depreciation for:				
Buildings and improvements	( 27,122)	(3,444)	-	( 30,566)
Machinery, equipment, and furnishings	( 6,477)	(1,002)	-	( 7,479)
Infrastructure	<u>( 28,221)</u>	<u>(2,848)</u>	<u>-</u>	<u>( 31,069)</u>
Total accumulated depreciation	<u>( 61,820)</u>	<u>(7,294)</u>	<u>-</u>	<u>( 69,114)</u>
Total capital assets, being depreciated, net	206,430	(4,006)	-	202,424
Capital assets, not being depreciated:				
Land	28,982	2,010	-	30,992
Construction in progress	<u>12,673</u>	<u>114</u>	<u>-</u>	<u>12,787</u>
Total capital assets, not being depreciated	<u>41,655</u>	<u>2,124</u>	<u>-</u>	<u>43,779</u>
Governmental activities capital assets, net	\$ <u>248,085</u>	\$ <u>(1,882)</u>	\$ <u>-</u>	\$ <u>246,203</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,270	\$ -	\$ -	\$ 1,270
Machinery, equipment, and furnishings	1,209	332	-	1,541
Infrastructure	<u>31,569</u>	<u>14,590</u>	<u>-</u>	<u>46,159</u>
Total capital assets, being depreciated	34,048	14,922	-	48,970
Less accumulated depreciation for:				
Buildings and improvements	( 541)	( 26)	-	( 567)
Machinery, equipment, and furnishings	( 721)	( 99)	-	( 820)
Infrastructure	<u>( 7,432)</u>	<u>( 426)</u>	<u>-</u>	<u>( 7,858)</u>
Total accumulated depreciation	<u>( 8,694)</u>	<u>( 551)</u>	<u>-</u>	<u>( 9,245)</u>
Total capital assets, being depreciated, net	25,354	14,371	-	39,725

(continued)

(continued)

	Beginning Balance	Increases	Ending Decreases	Balance
Capital assets, not being depreciated:				
Land	1,116	1,000	-	2,116
Construction in progress	<u>14,190</u>	<u>70</u>	(14,190)	<u>70</u>
Total capital assets, not being depreciated	<u>15,306</u>	<u>1,070</u>	(14,190)	<u>2,186</u>
Business-type activities capital assets, net	\$ <u>40,660</u>	\$ <u>15,441</u>	\$ (14,190)	\$ <u>41,911</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:

General government	\$ 153
Public safety	396
Education	3,599
Public works	2,933
Health and Human Services	60
Culture and recreation	<u>153</u>

Total depreciation expense - governmental activities \$ 7,294

Business-Type Activities:

Ambulance	\$ 10
Water	<u>541</u>

Total depreciation expense - business-type activities \$ 551

**9. Warrants Payable**

Warrants payable represent 2008 expenditures paid by July 15, 2008 as permitted by law.

**10. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**11. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state appellate Tax Board.

## 12. Notes Payable

The Town had the following notes outstanding at June 30, 2008:

	Interest Rate	Date of Issue	Date of Maturity	Balance at June 30, 2008
Bond anticipation note	3.90%	04/17/08	11/17/08	\$ 385,000
Bond anticipation note	2.30%	06/16/08	09/16/08	<u>954,000</u>
Total				<u>\$ 1,339,000</u>

The following summarizes activity in notes payable during fiscal year 2008:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation note	\$ <u>245,000</u>	\$ <u>1,339,000</u>	\$ <u>(245,000)</u>	\$ <u>1,339,000</u>
Total	\$ <u>245,000</u>	\$ <u>1,339,000</u>	\$ <u>(245,000)</u>	\$ <u>1,339,000</u>

## 13. Long-Term Debt

### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2008
<u>Governmental Activities:</u>			
Fire station construction	12/15/13	4.17	\$ 630,000
Abbot Day classroom construction	12/15/13	4.19	330,000
Drew Farms land acquisition	12/15/13	4.17	60,000
Middle sch construction-refinance	10/18/10	2.49	2,165,000
Academy construction	04/01/20	5.33	9,470,000
Modular classroom	04/01/15	5.33	1,330,000
Hill property land acquisition	04/01/10	5.33	130,000
Title V	08/01/19	0.00	48,625
Elementary school construction	06/01/22	4.14	15,900,000
Elementary school construction	12/01/22	4.49	1,555,000
Middle school construction	06/01/22	4.14	15,150,000
Middle school construction	12/01/22	4.49	1,480,000
Abbot school wastewater facility	06/01/13	3.45	500,000

(continued)

(continued)

	Serial Maturities	Interest Rate(s)%	Amount Outstanding as of June 30, 2008
<u>Governmental Activities:</u>	<u>Through</u>		
Highway garage	06/01/18	3.68	500,000
Middle school land acquisition	06/01/13	3.45	150,000
Fire substation construction	06/01/13	3.45	100,000
Highway garage construction	04/15/24	3.0 - 4.625	7,865,000
School bldg repair-Abbott windows	04/15/14	3.0 - 3.875	600,000
School - Abbott septic	04/15/14	3.0 - 3.875	240,000
Brookside dam repairs	04/15/09	3.00	20,000
East Boston camps	04/01/19	4.0 - 5.5	7,025,000
Highway garage construction	06/15/16	3.97	640,000
Town center sewer extension	06/15/19	3.98	1,130,000
Academy refunding	06/30/20	4.00	<u>9,430,000</u>
Total Governmental Activities:			<u>\$ 76,448,625</u>
<u>Business-Type Activities:</u>			
<u>Water Enterprise:</u>			
Filtration plants (Pool 7)	02/01/21	1.11	\$ 1,646,190
Filtration plants (Pool 8)	08/01/22	1.13	<u>9,313,482</u>
Total Business-Type Activities:			<u>\$ 10,959,672</u>
Total Long-Term Debt:			<u>\$ 87,408,297</u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,774,060	\$ 3,249,079	\$ 10,023,139
2010	6,469,060	2,987,203	9,456,263
2011	6,264,087	2,717,661	8,981,748
2012	5,424,087	2,465,582	7,889,669
2013	5,529,087	2,231,445	7,760,532
2014 - 2018	25,915,216	775,158	26,690,374
2019 - 2023	19,883,028	2,509,276	22,392,304
Thereafter	<u>190,000</u>	<u>8,788</u>	<u>198,788</u>
Total	<u>\$ 76,448,625</u>	<u>\$ 16,944,192</u>	<u>\$ 93,392,817</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2008.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 600,279	\$ 155,907	\$ 756,186
2010	617,164	149,901	767,065
2011	634,508	139,516	774,024
2012	655,147	132,473	787,620
2013	667,574	131,748	799,322
2014 - 2018	3,715,000	448,269	4,163,269
2019 - 2023	<u>4,070,000</u>	<u>126,633</u>	<u>4,196,633</u>
Total	\$ <u>10,959,672</u>	\$ <u>1,284,447</u>	\$ <u>12,244,119</u>

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
<u>Governmental Activities</u>						
General long-term obligation	\$ 85,398	\$ 300	\$ (9,249)	\$ 76,449	\$ (6,774)	\$ 69,675
Other:						
Compensated absence	1,111	131	-	1,242	( 62)	1,180
Capital lease	161	-	( 161)	-	-	-
Bond premium	<u>374</u>	<u>-</u>	<u>( 54)</u>	<u>320</u>	<u>( 48)</u>	<u>272</u>
Totals	\$ <u>87,044</u>	\$ <u>431</u>	\$ <u>(9,464)</u>	\$ <u>78,011</u>	\$ <u>(6,884)</u>	\$ <u>71,127</u>

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Less Current Portion	Equals Long-Term Portion 6/30/08
<u>Business-Type Activities</u>						
General long-term obligation	\$ 11,740	\$ -	\$ ( 780)	\$ 10,960	\$ ( 600)	\$ 10,360
Other:						
Compensated absence	<u>158</u>	<u>4</u>	<u>-</u>	<u>162</u>	<u>( 8)</u>	<u>154</u>
Totals	\$ <u>11,898</u>	\$ <u>4</u>	\$ <u>( 780)</u>	\$ <u>11,122</u>	\$ <u>( 608)</u>	\$ <u>10,514</u>

### D. Advance and Current Refunding

#### Current Year

On November 1, 2007, the Town of Westford issued general obligation refunding bonds (the "Bonds") in the amount of \$ 9,430,000 with multiple coupons 3.75% to 5.00% to advance refund \$ 9,130,000 of outstanding bonds, of which \$ 4,480,000 is a portion of a term bond of \$ 4,840,000 payable on April 1, 2017, with a coupon of 5.125%, and \$ 4,650,000 of refunded bonds is a term bond payable April 1, 2020, with a coupon of 5.25%. The refunded bonds are callable on April 1, 2010, at a price of 101% of the par amount of the bonds being refunded. The Bonds were issued at a True Interest Cost of 3.793% and, after paying issuance costs of \$ 143,923 and retaining excess proceeds of \$ 607, the net proceeds

were \$ 9,549,474. The net proceeds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds are called on April 1, 2010. The advance refunding met the requirement of an in-substance debt defeasance, and the refunded term bond and part thereof were removed from the Town of Westford's financial statements.

As a result of the advance refunding, the Town of Westford reduced its total debt service cash flow requirements by \$ 1,085,325, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 564,804.

#### **14. Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

#### **15. Reserves of Fund Equity**

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2008:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Debt Service - This represents prior year MSBA proceeds and premiums on bond anticipation notes which will be used for future note repayments.

## 16. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the "snow and ice" appropriation. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 5,238,222
Snow and ice deficit	649,722
Tax refund estimate	<u>1,090,000</u>
Statutory (UMAS) Balance	\$ <u>6,977,944</u>

## 17. Subsequent Events

### Investments

Since September, 2008, the stock market has suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

## 18. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

## **19. Post-Employment Health Care and Life Insurance Benefits**

### Other Post-Employment Benefits

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2008 was not available.

The Town plans to fully implement GASB 45 in fiscal 2009.

## **20. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

### A. Plan Description

The Town contributes to the Middlesex County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Middlesex County Retirement System at 40 Thorndike Street, New Superior Court House, East Cambridge, Massachusetts 02141.

### B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned



among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2008, 2007 and 2006 were \$ 2,314,168, \$ 2,124,356, and \$ 1,888,541, respectively, which were equal to its annual required contributions for each of these years.

### C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

\* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2008, the Commonwealth of Massachusetts contributed \$ 5,638,044 to the MTRS, on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 21. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 22. Beginning Net Assets Restatement

The beginning (July 1, 2007) net assets of the Town have been restated as follows:

Government-Wide Financial Statements:

	Business-Type Activities <u>Enterprise Funds</u>
	Water <u>Fund</u>
As previously reported	\$ 30,766,522
To record land not previously recorded	<u>347,842</u>
As restated	\$ <u>31,114,364</u>

TOWN OF WESTFORD, MASSACHUSETTS

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2008

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen  
Town of Westford, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

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generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 08-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above is not considered to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Westford, in a separate letter dated May 7, 2009.

This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
May 7, 2009



MELANSON HEATH & COMPANY, PC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Selectmen  
Town of Westford, Massachusetts

Compliance

We have audited the compliance of the Town of Westford, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A *control deficiency* in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westford as of and for the year ended June 30, 2008, and have issued our report thereon dated May 7, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
May 7, 2009

TOWN OF WESTFORD, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

<u>Program Title</u>	<u>Federal Catalogue Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education:		
School Lunch Program	10.555	\$ <u>128,933</u>
Total U.S. Department of Agriculture		128,933
<u>U.S. Department of Education</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education:		
Title I Grants	84.010	117,401
Title VIB	84.027	838,370
SPED Professional Development	84.027	36,504
Title V (formerly Title VI)	84.151	8,585
Preschool Grants	84.173	20,816
Safe and Drug Free Schools and Communities	84.186	11,693
Enhancing Education Through Technology	84.318	2,440
Improving Teacher Quality	84.367	<u>56,671</u>
Total U.S. Department of Education		1,092,480
<u>U.S. Department of Justice</u>		
Passed Through the Commonwealth of Massachusetts:		
Bullet Proof Vest	16.607	<u>4,800</u>
Total U.S. Department of Justice		4,800
<u>U.S. Department of Health and Human Services</u>		
Passed Through the Commonwealth of Massachusetts:		
Medical Reserve Corps Small Grant Program	93.008	1,043
Public Health Emergency Preparedness	93.069	330,811
Prevention and Treatment of Substance Abuse	93.959	<u>745</u>
Total Department of Health and Human Services		332,599
<u>U.S. Department of Homeland Security</u>		
Passed Through the Commonwealth of Massachusetts:		
Assistance to Firefighters	97.044	<u>162,000</u>
Total U.S. Department of Homeland Security		<u>162,000</u>
Total All Programs		<u>\$ 1,720,812</u>

This schedule was prepared on the modified accrual basis of accounting.

See Independent Auditors' Report on Schedule of Expenditures of Federal Awards.

State identifying numbers were not available for the pass-through grants listed above.

TOWN OF WESTFORD, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?

☐ yes ☒ no

- Significant deficiencies identified that are not considered to be material weakness(es)?

☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?

☐ yes ☒ no

- Significant deficiencies identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

84.027/84.173  
93.069

Name of Federal Program or Cluster

SPED Cluster  
Public Health Emergency Preparedness

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

## SECTION II - FINANCIAL STATEMENT FINDINGS

### Finding #

### Finding/Noncompliance

08-1

#### Reconcile Cash (Significant Deficiency)

Although the Town reconciled the Treasurer's cash book to the general ledger at June 30, 2008, it had difficulties in reconciling the cash book to the bank balances. The resolution of this issue resulted in delays in completing the annual audit.

We recommend that the Town reconcile the cash book to both the bank balances and the general ledger on a monthly basis. This will help ensure that cash is properly reconciled on a regular basis, and will reduce the likelihood of errors and irregularities occurring and going detected.

#### Town's Response:

The Treasurer's office has had ongoing issues regarding reconciliation of some very complicated accounts. The office did fall further behind due to unusual circumstances such as relocation of Town offices in fiscal 2008 and fiscal 2009 and staff absences for several months in fiscal 2009. The Town is in the process of transferring several accounts including the depositories, accounts payable, payroll, and money market accounts to a new bank. This will allow for a more simplified yet comprehensive approach to reconciliation.

Most recently, we devoted a substantial amount of effort in the area of reconciliation of the June 30, 2008 cash balances and are confident that this will not be an issue in fiscal 2009.

In addition, Munis offers separate Treasury Management Software which would significantly reduce the chance for errors and duplication of posting between Munis and the Excel Cashbook. This would allow the Finance Director/Treasurer's staff to focus on more important issues such as reconciliation versus data entry. The Town is in the process of looking into the feasibility of purchasing this software.

## SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

## SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.